BACKGROUND GUIDE

United Nations Economic and Social Council (ECOSOC)

AGENDA – Structural barriers to economic growth and development with special emphasis on landlocked states and small island nations

Letter from the Executive Board

Greetings Delegates!

It is indeed an honour to welcome you to this simulation of the **United Nations Economic and Social Council** (ECOSOC) hosted by **Amity University Model United Nations 2019**. We sincerely hope that being a part of the conference is an intellectually stimulating experience for you as well as for us.

This simulation will be pondering the agenda "**Structural barriers to economic growth and development with special emphasis on landlocked states and small island nations.**" For all procedural purposes of this this meeting, we shall adhere to UNA-USA Rules of Procedures. For all those participating in an MUN for the first time, or otherwise, please refer to the Rules of Procedures.

The purpose of this background guide is to equip you with required knowledge about the committee as well as the agenda, therefore make sure you read and understand this background guide judiciously. However, at no point assume that only the content of the background guide can substitute for further research. Nothing written on the background guide can be quoted or used as proof for any claims/allegations in the committee.

Additionally, for the purpose of this committee – and for MUNs in general, we don't wish to know your research or the statistics you may read; we are particularly interested in what in the meaning of the statistics and numbers you may have read, and its analysis. Similarly, quoting the law or legal instruments has no impact on the debate in itself. Debating or discussing the law only has a relevance when you are able to ponder upon its implications and implementation – whether successful or unsuccessful. Keeping that in mind, we cannot emphasize the need for analysis and evaluation in your arguments and speeches any further.

That being said, please feel free to get in touch with us via e-mails in case you have any questions or queries, or if you wish to seek any clarifications. We shall be happy to assist.

All the best!

Regards,

Aditya Sachdeva
Chairperson
(Aditya.sachdeva07@gmail.com)

Accepted sources of evidence
Evidence or proof is from the following sources will be accepted as credible in the UNHRC:

1. **State-operated News Agencies** :

These reports can be used in the support of or against the State that owns the News Agency. These reports, if credible or substantial enough, can be used in support of or against any country as such but in that situation, they can be denied by any other country in the council. Some examples are:

i. RIA Novosti (Russia) [http://en.rian.ru/]

ii. IRNA (Iran) [http://http://www.irna.ir/en/]

iii. BBC (United Kingdom) [http://bbc.co.uk/]

iv. Al Jazeera (Qatar) [http://www.aljazeera.com]

v. Xinhua News Agency (PR China) [http://www.xinhuanet.com/english/china/]

2. Government Reports:

These reports can be used in a similar way as the State Operated News Agencies reports and can, in all circumstances, be denied by another country. However, a nuance is that a report that is being denied by a certain country can still be accepted by the Executive Board as credible information. Some examples are:

i.) **Government Websites** like the State Department of the United States of America [http://www.state.gov/index.htm] or the Ministry of Defence of the Russian Federation [http://www.eng.mil.ru/en/index.htm]

ii.) **Ministry of Foreign Affairs** of various nations like India [http://www.mea.gov.in/] or People's Republic of China [http://www.fmprc.gov.cn/eng/].

iii.) **Permanent Representatives to the United Nations** Reports http://www.un.org/en/members/ (Click on any country to get the website of the Office of its Permanent Representative.)

iv.) **Multilateral Organizations** like the NATO [http://www.nato.int/cps/en/natolive/index.htm], ASEAN [http://www.aseansec.org/], OPEC [http://www.opec.org/opec_web/en/], etc.

3. United Nations Reports:

All UN Reports are considered are credible information or evidence for the Executive Board of the NSG.

i) **UN Bodies** like the UNSC [http://www.un.org/Docs/sc/] or UNGA [http://www.un.org/en/ga/].

ii.) **UN Affiliated Bodies** like the International Atomic Energy Agency [http://www.iaea.org/], World Bank [http://www.worldbank.org/], International Monetary Fund [http://www.imf.org/external/index.htm], International Committee of the Red Cross [http://www.icrc.org/eng/index.jsp], etc.

iii.) **Treaty Based Bodies** like the Antarctic Treaty System [http:// www.ats.aq/e/ats.htm], the International Criminal Court [http://www.icc-cpi.int/Menus/ICC]

NOTE — Sources like Wikipedia [http://www.wikipedia.org/], Amnesty International [http://www.amnesty.org/], Human Rights Watch [http://www.hrw.org/] or newspapers like the Guardian [http://www.guardian.co.uk/], Times of India [http://timesofindia.indiatimes.com/], etc. are typically not accepted as PROOF/EVIDENCE. However, they can be used for better understanding of any issue or on rare occasions, be brought up in debate if the information given in such sources is in line with the beliefs of a Government.

Further, the information submitted as evidence citing reportage from sources such as specified in this note may be at best, treated as having significance in terms of persuasive value - e.g. to cement one's assertions, but never as binding, indisputable fact.

About the Committee

The Economic and Social Council (ECOSOC) is the United Nations' central platform for reflection, debate, and innovative thinking on sustainable development.

ECOSOC engages a wide variety of stakeholders – policymakers, parliamentarians, academics, major groups, foundations, business sector representatives and 3,200+ registered non-governmental organizations – in a productive dialogue on sustainable development through a programmatic cycle of meetings. The work of the Council is guided by an issue-based approach, and there is an annual theme that accompanies each programmatic cycle, ensuring a sustained and focused discussion among multiple stakeholders.

The programmatic cycle of ECOSOC includes

- **High-Level Segment**
  - **High-Level Political Forum (HLPF)** provides political leadership, guidance and recommendations for sustainable development, follow-up and review progress in the implementation of sustainable development commitments;
  - **Annual Ministerial Review (AMR),** held annually since 2007, assesses progress in the implementation of the United Nations development agenda;
  - **Development Cooperation Forum (DCF),** held on a biannual basis since 2007, reviews trends and progress in development cooperation on a biannual basis.
- **Integration Segment,** held annually since 2014, promotes the balanced integration of the economic, social and environmental dimensions of sustainable development both within the United Nations system and beyond.
- **Humanitarian Affairs Segment,** that takes place in alternate years in New York and Geneva, seeks to strengthen the coordination of the United Nations' humanitarian efforts.
- **Operational Activities for Development Segment**, held annually, provides overall coordination and guidance for United Nations funds and programmes on a system-wide basis.
- **Coordination and Management Meetings (CMM),** held throughout the year, review the reports of its subsidiary and expert bodies; promote system-wide coordination and review of development issues; and consider special country situation or regional issues.
- **Youth Forum,** held annually since 2012, brings the voice of youth into the discussion of the Millennium Development Goals and post-2015 development agenda.
- **Partnership Forum,** held annually since 2008 and linked to the theme of the Council's Annual Ministerial Review, aims at finding innovative ways to collaborate with the private sector and foundations in search of solutions for the many development challenges facing governments today.

Having achieved key milestones in the areas in sustainable development over the preceding seven decades, ECOSOC will spend 2016 focused on the relations of the 2030 Agenda for Sustainable Development and new Sustainable Development Goals (SDGs), which aim to wipe out poverty, fight inequality and tackle climate change over the next 15 years. For its annual theme, ECOSOC will focus in 2016 on "Implementing the post-2015 development agenda: moving from commitments to results"

ECOSOC's work in support of the implementation and follow-up and review of the 2030 Agenda will be broad. It will include advancing a balanced integration of the three dimensions of sustainable development through an annual main theme as well as addressing specific areas and issues, such as financing for development, humanitarian affairs and promoting peaceful and inclusive societies for sustainable development. This will involve the ECOSOC system as a whole and include a wide range of development stakeholders and actors.

Sustainable Development Goals

ECOSOC operates at the center of the UN system's work on all three pillars of sustainable development—economic, social and environmental. It is the unifying platform for integration, action on sustainable development and follow-up and review.

As the umbrella for the UN's functional and regional commissions, and operational and specialized agencies, it links the setting of global norms with their implementation. Across diverse fora, it brings together all the different people and partners involved in achieving sustainable development, while fueling broader awareness and action through sharing its own extensive knowledge and issue expertise.

Within the UN system, ECOSOC has the main responsibility for following up on all major past international conferences linked to the three pillars of sustainable development, and will continue to do this alongside the implementation of the sustainable development goals. As a hub for the exchange of knowledge and mutual learning, it had an instrumental role in examining lessons learned from the Millennium Development Goals, assessed the transition into the post-2015 agenda, and currently consider the implementation of the 2030 Agenda. ECOSOC also explores the scope of a renewed global partnership and invites youth to share their views on their future.

The Sustainable Development Goals (SDGs), otherwise known as the Global Goals, are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity.

These 17 Goals build on the successes of the Millennium Development Goals, while including new areas such as climate change, economic inequality, innovation, sustainable consumption, peace and justice, among other priorities. The goals are interconnected – often the key to success on one will involve tackling issues more commonly associated with another.

The Sustainable Development Goals (SDGs) were born at the United Nations Conference on Sustainable Development in Rio de Janeiro in 2012. The objective was to produce a set of universal goals that meet the urgent environmental, political and economic challenges facing our world.

The SDGs replace the Millennium Development Goals (MDGs), which started a global effort in 2000 to tackle the indignity of poverty. The MDGs established measurable, universally-agreed objectives for tackling extreme poverty and hunger, preventing deadly diseases, and expanding primary education to all children, among other development priorities.

For 15 years, the MDGs drove progress in several important areas: reducing income poverty, providing much needed access to water and sanitation, driving down child mortality and drastically improving maternal health. They also kick-started a global movement for free primary education, inspiring countries to invest in their future generations. Most significantly, the MDGs made huge strides in combatting HIV/AIDS and other treatable diseases such as malaria and tuberculosis.

The SDGs are a bold commitment to finish what we started, and tackle some of the more pressing challenges facing the world today. All 17 Goals interconnect, meaning success in one affects success for others. Dealing with the threat of climate change impacts how we manage our fragile natural resources, achieving gender equality or better health helps eradicate poverty, and fostering peace and inclusive societies will reduce inequalities and help economies prosper. In short, this is the greatest chance we have to improve life for future generations.

The SDGs coincided with another historic agreement reached in 2015 at the COP21 Paris Climate Conference. Together with the Sendai Framework for Disaster Risk Reduction, signed in Japan in March 2015, these agreements provide a set of common standards and achievable targets to reduce carbon emissions, manage the risks of climate change and natural disasters, and to build back better after a crisis.

The SDGs are unique in that they cover issues that affect us all. They reaffirm our international commitment to end poverty, permanently, everywhere. They are ambitious in making sure no one is left behind. More importantly, they involve us all to build a more sustainable, safer, more prosperous planet for all humanity.

Agenda: Structural barriers to economic growth and development with special emphasis on landlocked states and small island nations.

Introduction

A landlocked state or landlocked country is a sovereign state entirely enclosed by land, or whose only coastlines lie on closed seas. There are currently 50 such countries, including five partially recognised states.

As a rule, being landlocked creates political and economic handicaps that access to the high seas avoids. For this reason, states large and small across history have striven to gain access to open waters, even at great expense in wealth, bloodshed, and political capital.

Small Island Developing States (SIDS) are a group of small island countries that tend to share similar sustainable development challenges, including small but growing populations, limited resources, remoteness, susceptibility to natural disasters, vulnerability to external shocks, excessive dependence on international trade, and fragile environments. Their growth and development is also held back by high communication, energy and transportation costs, irregular international transport volumes, disproportionately expensive public administration and infrastructure due to their small size, and little to no opportunity to create economies of scale.

Issues faced by landlocked nations

Landlocked countries have no territorial access to the seas. Landlocked countries have very often lower average development levels than their neighbours. Those countries which are connected to or near to seas and oceans have developed and progressed. But, landlocked countries not only face the challenge of distance but also, the challenges that result from a dependence on passage through a sovereign transit country. Due to their remoteness, landlocked countries are dependent on neighbouring transit countries for their external trades and suffer from high trade transaction costs. The sea is regarded as the storage of minerals and many precious substances. Landlocked countries are at a disadvantage compared with equally remote, island regions of large countries. Landlocked countries like Nepal lack such facilities and accesses. Some of the problems faced by Nepal are as follows:

1. Transportation Problem
2. Economic Problem
3. Trade Problem
4. Industrialization Problem
5. Cultural Problem
6. Political Problem

Sea is the sources of minerals. These minerals are raw materials for industries. Most of the countries near seas are rich. Tourism can be developed if there is sea shore. Moreover, sea beaches are good tourist destinations. Many European countries have easy access to waterways. But, landlocked countries like Nepal does not have such access. We have to invest a large amount of capital for roads and airways. Similarly, due to the weak international trade, a landlocked country has to suffer from a frequent price hike. As it has to depend upon the higher amount of imported goods, it has to bear a trade deficit.

A country's landlocked status also creates a profound sense of physical isolation. A country's people resent dependency on outsiders, often turning inward to become more local rather than international in mindset. Consequently, archaic kingships and chieftaincies rule or hold sway nationally in Swaziland and locally in Uganda, inhibiting social progress. In other landlocked countries, warlords and militia groups are likely to control local populations. The sense of physical isolation could become a psychological boost to make a country self-reliant. However, the ACBR index tabulations show this factor has made governments autocratic and paranoid, as is evident in Burundi. In Ethiopia, an autocratic government cancels out the advantages to its population of East Africa's best performing economy.

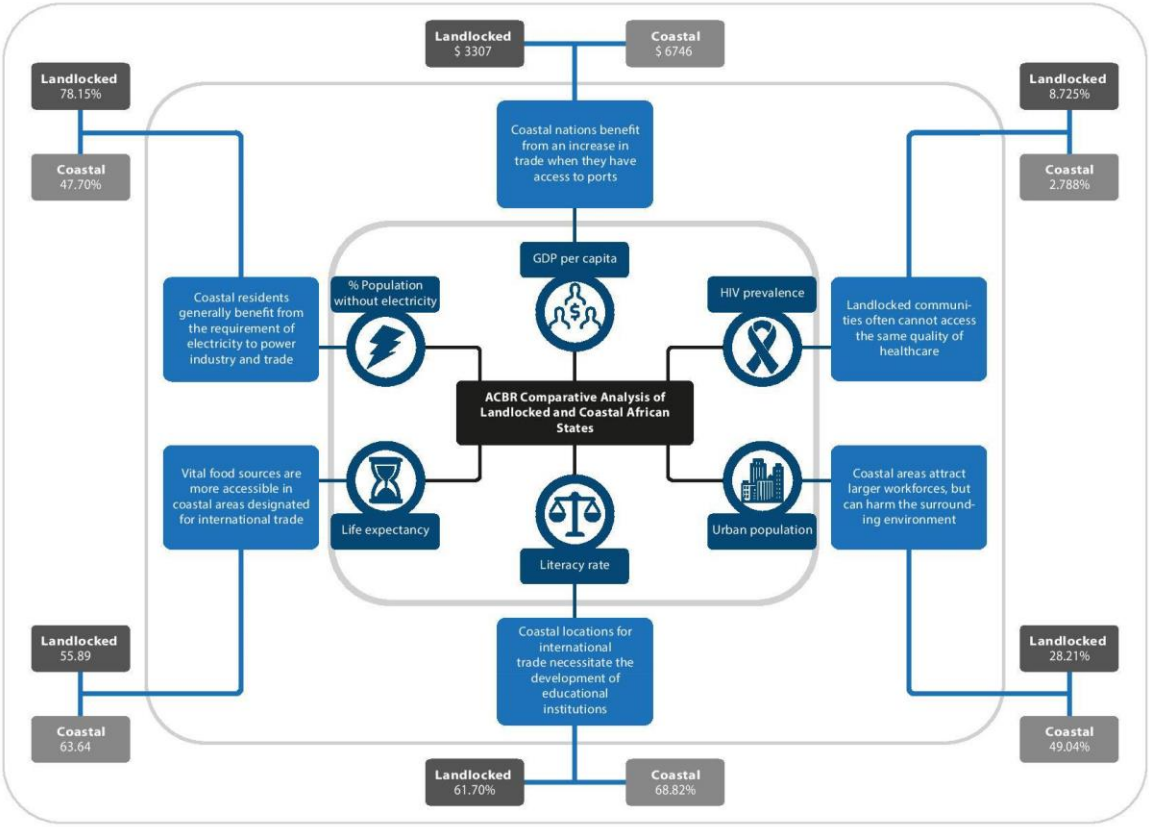
Given the oppressive rule they endure, the peoples of Africa's landlocked nations generating the bulk of the continent's refugees is understandable, fleeing conflict in Burundi, CAR, DRC and South Sudan in the tens of millions. While bound on all sides by borders with other nations that can act as inhibitors to trade, landlocked nations can be plagued by militant groups who can cross these same borders easily, unlike having to travel by sea. The landlocked countries of the Sahel – such as Chad, Mali and Niger – have significant security challenges due to the cross-border influx of militant and terrorist groups. The Central African nations of CAR and DRC have been destabilised for decades by the cross-border passage of militants.

Africa has 17 landlocked countries, including Africa's newest state, South Sudan, which ranks second to the bottom of the ACBR 2017 index at 44 of 45 countries. Burkina Faso ranks 42nd. A majority of these 17 countries rank in the lower half of national performances. Lesotho and Swaziland are anomalies that have managed to escape the status of failed state by their symbiotic relationship with South Africa. A massive, populous country with Africa's most advanced economy, South Africa sustains Lesotho and Swaziland by means of government income grants(2), trade ties and security. If not for their Big Brother South Africa, these two micro-countries would have long ago descended to failed state status.

Due to the lack of direct access to the sea, landlocked countries are away from major trade-related networks and hardly benefit from trade opportunities .Land transportation costs many times higher than sea transport. This raises the transaction cost of almost all imports and exports. Therefore, a landlocked country is less advantageous to a development strategy based on foreign trade. Apart from Europe, there is not a single successful highly developed landlocked country when measured by the Human Development Index (HDI). A landlocked country bears high transit costs due to physical distance. They are isolated from the rest of the world. So, there may be less chance of cultural exchange, less opportunity to understand each other's culture and lifestyle. As it has to depend on upon the higher amount of imported goods, it has to bear trade deficit. A landlocked country may use a natural protection for its domestic industries, to overcome this condition.

In spite of technological improvements in transport, landlocked developing countries continue to face structural challenges to accessing world markets. As a result, landlocked countries often lag behind their maritime neighbours in overall development and external trade. While the relatively poor performance of many landlocked countries can be attributed to distance from coast, this paper argues that several aspects of dependence on transit neighbours are also important. Four such types of dependence are discussed: dependence on neighbor's infrastructure; dependence on sound cross-border political relations; dependence

On neighbours' peace and stability; and dependence on neighbours' administrative practices. These factors combine to yield different sets of challenges and priorities in each landlocked country. The paper concludes with a brief set of policy recommendations. A detailed appendix presents maps and regional overviews that outline key challenges facing the landlocked countries in each region.



Income Growth of Landlocked Countries

The landlocked countries are not only significantly poorer than their maritime neighbours, but also, contrary to classical macroeconomic convergence theory, growing at a slower pace. Over the last decade, landlocked countries have grown at an average of 25% less than their maritime transit neighbours, despite beginning the decade with a per capita income of only 55% that of the maritime nations. This observation confirms the results of other studies, which find that being landlocked slows the growth rate by between 0.7% – 1.5%.

Trade Patterns of Landlocked Countries

Only three of the landlocked countries have a higher level of export value per capita than their maritime transit neighbours. Those countries are Swaziland, Malawi and Kazakhstan. On average, the landlocked countries export 60% less value per person than their maritime transit nations.

In almost every region the landlocked countries do not have a significantly higher concentration of intra-regional exports than their maritime transit nations. The one notable exception to this is Latin America, where Paraguay and Bolivia both export primarily to Latin

America, and do have a significantly higher concentration of intraregional trade than their neighbours: intra-Latin American trade accounts for 62% of Bolivian exports and 72% of Paraguayan exports, compared to only 20% of Peruvian and 23% of Brazilian exports. This can be partially explained by the large quantities of hydrocarbon and hydroelectric exports, which are transported regionally through pipelines and electricity lines.

Foreign Direct Investment

In addition to low levels of trade, landlocked countries suffer from a very low level of foreign direct investment. The mean level of FDI inflows to the landlocked nations is 1/49th that of the maritime transit nations. Even if the richer maritime transit nations, Argentina, Brazil, Chile, China, India, South Africa, and Thailand are ignored, and population accounted for, the average FDI inflow to the maritime transit nations is still greater than that to landlocked nations. Moreover, only two landlocked nations (Chad and Uganda) have a higher inflow of FDI per capita than their individual maritime transit neighbours and on average, a landlocked country receives 17 times less FDI per capita than its maritime transit neighbours. Perhaps even more startling, the average level of FDI per capita to landlocked countries is less than that to the Least Developed Countries (LDCs).

Dependence upon Infrastructure Levels in Transit Nations

Landlocked countries are completely dependent on their transit neighbours' infrastructure for access to international markets. Where a landlocked country only has access to routes of poor quality, the cost of overland trade is significantly higher than they would otherwise be. Hence, the cost of trade of a landlocked country is heavily determined by the infrastructure levels, and, indirectly, by the level of development of its transit neighbours.

Fees and Direct Costs due to High Administrative Burden

To transit a country, there are a host of transit and customs charges. Some of these must be paid upfront and some must be paid en route. In many cases, these charges must be paid in hard currency, where often there are no facilities to convert local currencies into hard currency. Sometimes agency fees at ports for transit freight will exceed that for domestic freight despite the fact that domestic freight is usually more difficult to clear through port than transit freight. Some of the transit and customs charges include transit goods licences, border fees, temporary road licences, foreign vehicle permits, toll charges, foreign commercial licences, cost of customs verification of containers, posting of security bonds, involvement with police and escort convoys and cancellation of bonds. The amount of these charges varies according to customs procedures but can amount to 26 percent of the direct freight costs. The cost of bribes needed en route, while considered to be significant, has not been fully estimated.

As well as the fees and charges, the paperwork required for transit is significant and costly to deal with. Planning papers, feasibility documents, legal studies and country studies detail the administrative procedures needed to transit a country. In almost all cases, the number of documents needed and the different authorities that must be dealt with are high and could only be negotiated by using a firm experienced in transit operations such as a clearing and forwarding agent.

An example of the forms needed to transit from Bolivia (with one of the more simple transit regimes) are as follows: Form listing the documents; Commercial invoice or equivalent; Transport documents (air way bill, bill of lading, consignment note, original or copy); Report of reception, original; Certificate of previous inspection or custom declaration of value issued by the original importer; Certificate of insurance, copy; Invoice of port charges, original; Invoice of transport issued by the transport operator signing the transport manifest, copy; Packing list, original or copy; Certificate of origin, original; Certificate of previous licence, original; and, Other documents pertaining to the claimed regime.

Time Delays due High Administrative Burden

In addition to the direct fees and costs of high administration, passing through border points of foreign nations imposes long delays on transit traffic. Although often difficult to quantify, these delays impose a large burden on trade: in the SADC alone, delays are estimated to impose a burden of US$48 million annually; and the cost of delays is estimated to be between $205 to $440 on a $10,000 cargo consignment from Rwanda or Burundi

Throughout Africa, the average delay at a border crossing is estimated to be 24-48 hours. However, there are many areas within Africa where delays are significantly worse than this average. Customs procedures at the CAR Cameroon border can take as long as two weeks, with goods often waiting at the border for the requisite information to be sent from Bangui. The full Doala to Bangui trip generally takes three weeks to a month. An average trip between Kampala and Mombasa (a route used by Uganda, Rwanda and Burundi) is estimated to take 21 days on average, with trips often taking as many as 60 days. The unreliability of the rail arrivals often make it impossible to book ships ahead of time at the port of Mombasa, causing further delays. Delays at the port of Abidjan, used by Burkina Faso, often take up to 10 days and delays at the port of Douala, used by the CAR and Chad can often extend to 30 days. In addition, the two main transit routes for Burkina Faso have customs escorts only three times a week so there are often large delays in waiting for an escort.

Such delays are often not the fault of the transit nation. In Burkina Faso there exists a special anti-competitive provision to protect Burkinabe truck companies, reserving two thirds of transit freight for carriage by Burkinabe trucks. Thus, there are often goods at maritime ports waiting for the arrival of vehicles from landlocked countries despite the presence of vehicles from maritime nations at the port who would be willing to transport the goods inland.

Political Challenges

While transportation issues are important challenges that must be overcome by landlocked countries, political challenges are also a major issue for landlocked countries. In their most extreme cases, where countries may be totally isolated due to a blockade, political challenges have a much more severe effect on human development than lack of infrastructure. It is useful to distinguish between two different types of political challenges as it illustrates the range of problems that face landlocked nations. The first is the problem of a lack of negotiating power that landlocked countries face when negotiating for rights of access with their transit neighbours. These lack of rights of access can be at their most extreme during military conflict with a transit neighbour. The second political problem is civil conflict within the landlocked country – even while a landlocked country may have good relations with its transit neighbour, trade can be cut by border closures due to civil conflict.

Diplomatic Relationship between Landlocked Countries and their Transit Neighbours

The developing landlocked countries usually have little negotiating power over their transit neighbours when negotiating transit routes. While the landlocked country is usually very dependent upon its transit neighbour, in most cases, the neighbour does not need its landlocked country and may see a landlocked country's demand for transit rights as an infringement on its own sovereignty.

The legal basis for rights of transit are contained in Article 125(1) of the United Nations Convention on the Law of the Sea (1982), stating:

Land-locked States shall have the right of access to and from the sea for the purpose of exercising the rights provided for in this Convention including those relating to the freedom of the high seas and the common heritage of mankind. To this end, land-locked States shall enjoy freedom of transit through the territory of transit States by all means of transport.

However in practice, this right of access must be agreed upon with the transit neighbour (Article 125(2) and (3)):

The terms and modalities for exercising freedom of transit shall be agreed between the landlocked States and transit States concerned through bilateral, sub regional or regional agreements. Transit States, in the exercise of their full sovereignty over their territory, shall have the right to take all measures necessary to ensure that the rights and facilities provided for in this Part for land-locked States shall in no way infringe their legitimate interests.

A right of access is given to the landlocked country, but such a right is conditioned by the need for the transit nation to grant such a right. Whether a transit nation can legally deny the right of access is discussed in detail in the legal literature, but in practice determined by the relationship between the landlocked country and its transit neighbour.

In the case of Nepal and Bhutan, the Himalayan ranges restrict most bilateral and all transit trade through China. Hence, both countries are entirely reliant on India for transit trade, and largely reliant for bilateral trade. Bhutan enjoys a generally very strong relationship with India and any friction between the two nations has been promptly minimised. Bhutan enjoys probably the best transit procedures of all of the countries in this study – all transit trade takes place under Royal Bhutan Customs. That is, there is almost no involvement of Indian Customs in Bhutan's transit trade. An additional benefit to this is that there is no requirement for the insurance of goods in transit. In contrast, while Nepal has a generally positive relationship with India, where the policies of the two governments have been in significant disagreement, India has had a tremendous advantage over Nepal. This advantage was most evident through the 1990 Indian blockade of Nepal, which was cited as a major cause of the overthrow of the Nepalese panchayat government. Relations were generally good, although between 2001 and 2002 India placed significant trade restrictions on Nepal during the negotiation of a bilateral trade treaty.

Vulnerability to Conflict within Transit Nations

Even if a country has very good relations with its transit neighbour, it is still vulnerable to civil conflict within the transit nation and consequent border closures.

The landlocked countries of West Africa have been particularly affected by civil war. While Mali has been recognised for its recent political stability and commitment to democracy, its economy has suffered incommensurately as a result of regional conflict and instability. Each of Mali's coastal neighbours has been engaged in some form of violent civil conflict in the last decade often making transport routes unusable. Togo was devastated by violent political protests and deep internal conflict in the early 90s; Algeria was involved in a macabre civil war for much of the decade; Ghana suffered from ethnic violence primarily between 1993-4; Sierra Leone's ten year civil war has just recently come to a tenuous settlement; Guinea has been stricken by a series of coups and rebel wars; Liberia's has spent most of the decade in violent civil wars which have threatened to spill-over into neighbouring countries, thus jeopardizing regional stability even further; and finally, and most importantly for Mali, Cote d'Ivoire has recently fallen into a devastating political crisis which continues to deepen and has had severe effects on Mali's most important corridor to the sea.

Due to the civil war in Mozambique (coupled with poor infrastructure levels in Namibia and Tanzania), much SADC trade is forced along north-south lines, largely relying upon the port of Durban in South Africa. During the period of the Mozambiquian civil war, Malawi was forced to reroute its freight, 95% of which normally passed through the ports of Beira and Nacala, to the significantly further ports of Durban and Dar es Salaam. It is estimated that the average surface costs to these ports are more than double those to the ports of Nacala and Beira via the traditional rail routes. The average transit times to Durban (7 days) and Dar es Salaam (6 days) are also nearly double that to Nacala (4 days) and Beira (3 days). The unavoidable rerouting cost Malawi an additional US$50m75m per year, with insurance and freight costs doubling from 20% of the import bill in the early 1980s to 40% by the latter half of the decade. While the corridors to Beira and Nacal have been recently reopened, infrastructure damage from the war has thus far limited their use.

Case Study: Lesotho

Surrounded by South Africa, Lesotho is completely dependent on its only neighbour's well-developed transport system for its external trade. Such unilateral dependence, however, negates any advantages associated with Lesotho's proximity to the port of Durban (347km) and the good condition of its surrounding infrastructure. Limao and Venables (1999) determine that the cost of shipping a 40' container from Baltimore (USA) via Durban to Maseru (Lesotho) is US$10,000, compared to only US$5,000 to Lusaka (Zambia) which is 1,300km and several border crossings further. Lesotho's internal transport is complicated by the highly mountainous, rugged terrain of the eastern highlands. These geographical constraints prevent the direct eastward transport of freight from Lesotho to the port of Durban. Instead freight must be routed north from Maseru and around the border of Lesotho through South Africa. As a result, the majority of transport sector investments have focused on the lowland trunk routes linking Lesotho to South Africa's corridors.

<u>Road</u>

Lesotho's main roads, many of which provide linkage to the South African corridor routes, are in good condition. A 1995 survey reported that 84% of Lesotho's paved roads are in "good" condition, while only 5% are considered "poor." Lesotho, however, continues to face the challenge of providing all-weather access to the highlands. To deal with such problems, the government initiated a US$40 million Road Rehabilitation and Maintenance Project in

1996. The construction of the Lesotho Highlands Water Development Project has led to the further improvement of many such interior roads.

Rail

The only rail in Lesotho is a 2.6 km segment of the South African railway system that extends from the South African border to Maseru. The railway is both owned and operated by South Africa. The South African rail system to which Lesotho connects is of very good quality.

Ports

All of Lesotho's import and export traffic is routed through South African ports, and in particular the port of Durban. These ports are considered to be the most efficient in the region.

Trade

Lesotho's overwhelming dependence on the SACU (of which it is a member), mainly South Africa, for its exports has been recently decreasing with the promotion of a new export-oriented manufacturing industry. The Lesotho Central Bank reports that SACU accounted for only 39% of Lesotho's total exports in 2000, compared to 87% in 1985.

Similarly, exports to North America have increased from 34% of total exports in 1997 to over 60% in 2000. Lesotho's imports, however, still come almost exclusively from the SACU.

Lesotho also depends heavily on remittances from migrant mineworkers in South Africa. Recently, the number of South African mineworkers has been declining. As a member of SACU, Lesotho is required to follow the common external tariff of the regional group. This tariff was, until recently, determined by South Africa and reflected the needs of South Africa's relatively advanced economy, not those of Lesotho's. South Africa, however, has recently liberalised its trade policy in accordance with the South Africa- EU trade agreement and to comply with WTO guidelines. The SACU external tariffs were consequently reduced. However, it is estimated that the SACU member countries will lose US$117m per year in revenues as a result of the South Africa-EU agreement. Goods imported from within the SACU are duty free. The recent development of the Lesotho Highlands Water Development Project, which includes the construction of a network of dams and channels in Lesotho's highlands, will now allow Lesotho to export its abundant water resources to South Africa.

Previous attempts to do so failed when the two governments could not reach agreement on payment for water exports. This time, however, the two governments reached agreement as defined in the "Treaty on the LHWP between the Government of the Kingdom of Lesotho and the Government of the Republic of South Africa." South Africa has agreed to pay for all water delivery costs and provide any necessary loan guarantees. The project not only provides Lesotho with a new source of export revenue, but also eliminates its dependence on South Africa for electricity. Once completely dependence on South Africa, Lesotho is not producing surplus electricity, which could potentially be exported to South Africa.

Lesotho is also a member of the Southern African Development Community (SADC), Common Monetary Area, and the WTO. It also took part in the Cotonou agreement providing

preferential trade with the EU. Lesotho left the Common Market for Eastern and Southern Africa (COMESA) in 1997 in order to focus on its participation in SADC.

International Relations

As South Africa is Lesotho's only neighbour and major trade partner, Lesotho's international affairs are strongly dominated by this bilateral relationship. Relations with South Africa remained strained from the time of independence until the military coup in 1986. Diplomatic ties were not established until 1992. Since then, relations have become increasingly close as displayed by the cooperation over the Lesotho Highlands Water Development Project. After a debated 1998 election, South Africa intervened in Lesotho to support the precarious government facing a coup. Following this intervention, the two nations agreed to a security pact, which allows the government of Lesotho to invoke the assistance of South Africa to maintain domestic stability. Further evidencing the improving relations, was President Thabo Mbeki's 2001 state visit to Lesotho, which included the symbolic gift of a cow to King Letsie. During the visit, a bilateral commission to support economic development in Lesotho was established.

Despite the improving relations, some sources of tension remain between the two countries including South Africa's decision to offer permanent residence to qualifying Basotho migrant workers, and the withdrawal of multiple-entry visas for Basotho traveling to and from South Africa. Cross-border raids also continues to be a problem but both governments have agreed to address the issue.

Issues faced by Small Island Nations

Trade and Finance

SIDS exhibit highly dissimilar levels of economic development, yet face relatively similar challenges in terms of trade and finance. SIDS are inherently economically vulnerable due to their remoteness and insularity, susceptibility to natural disasters, fragile ecology, limited institutional capacity, limited ability to diversify, strong dependence on a narrow range of exports, and high import content, particularly of strategic goods such as food and fuel, whose prices have exhibited high volatility. In addition, in recent years many SIDS have experienced a rapid rise in their debt burden which, coupled with rising logistics costs and decreasing workers' remittances, has exacerbated the negative impact that the financial crisis has had on their economies. Many SIDS economies are highly exposed to shocks resulting from their heavy dependence on a few markets and the erosion of trade preferences with these markets.

Over the past ten years, many SIDS have experienced considerable increases in trade deficits. SIDS are among the most trade-open economies in the world, and thus particularly vulnerable to external shocks. The continuing global economic and financial crisis, coupled with the uneven pace of insertion into global trade and development processes, have exacerbated the structural vulnerabilities of SIDS and have had dire consequences for their economies.

These challenges and opportunities are typified by some of the major trade developments being faced by Caribbean and Pacific SIDS. In the Caribbean, challenges include the erosion of trade preferences and the increase of the global market share of the Caribbean's trade competitors. The on-going process of regional trade integration that is taking place through

the implementation of the Caribbean Single Market Economy (CSME) offers several opportunities to address some of the challenges being faced by the region. However, slow progress in achieving regional integration through the CSME has thus far limited some of the gains from collaboration in the region.

In the Pacific, steps have been taken towards establishing a regional free trade agreement through the Pacific Island Countries Trade Agreement (PICTA), which entered into force in 2003. The European Union has also initialled an interim agreement with Papua New Guinea and Fiji for improved market access to the EU. The agreement is open to all interested Pacific SIDS. During 2009, the implementation of regional trade agreements continued at a positive, but slow pace. The capacity among Pacific SIDS to engage on a range of trade issues been hampered by the ongoing challenges of developing national positions on various issues as well as translating regional commitment into supporting national legislation.

Logistics performance is significantly worse in SIDS than in other countries at similar levels of development. By exacerbating the disadvantage posed by geographical distance, lower trade and transport volumes have contributed to higher overall transport and logistics costs. Notwithstanding important success stories, such as the halving of transport costs in Vanuatu between 2007 and 2008, the overall increase in transport costs has significantly weakened the competitiveness of SIDS vis-à-vis their main competitors, regionally and internationally.

Based on the ranking of the World Bank's 2010 Logistics Performance Index (LPI), which includes transport costs, quality of infrastructure (e.g., roads, ports, etc), tracking and tracing of consignments, and timeliness of delivery; eleven of the twelve SIDS for which the LPI is available are among the 100 worst performers in terms of logistics. Three SIDS are among the 10 worst performers in the world, performing at nearly one third of the level of top-ranked Germany.

In part, this lower capacity is due to the relatively low interest shown by the private sector in SIDS due to the small size of their economies. Unpredictable external capital flows, such as Official Development Assistance (ODA), Foreign Direct Investment (FDI) and International Private Funds (IPF), coupled with increasing debt burdens, are a matter of concern in a number of SIDS.

Due to the lack of economies of scale, high transport costs, low trade capacities and increasing trade deficits, SIDS typically have large external debt stocks that are often unsustainable unless financed through external capital flows, including ODA, FDI, IPF and workers' remittances. However, unlike Least Developed Countries (LDCs) and certain other groups of countries, SIDS that are not LDCs do not qualify for debt relief assistance and are increasingly considered ineligible for development aid.

The lack of reliable external capital flows has negatively impacted external debt levels, which have exceeded sustainability standards in many SIDS. During the past ten years, there has been no clear trend toward reducing external debt levels.

Transnational crime and piracy

Transnational organised crime and piracy are key challenges for many SIDS. Given their limited size and capacities, SIDS face major challenges in effectively patrolling their often

expansive Exclusive Economic Zones(EEZs) given capacity constraints, and are more susceptible to disruption by criminal networks than larger and more developed economies.

SIDS also find themselves a transit point for the illicit trafficking of drugs, people and small arms and light weapons, with often severe consequences for local populations.

Illicit exploitation of natural resources, including IUU fishing

The illicit exploitation of natural resources is also of concern for SIDS, undermining prospects for sustainable economic development and contributing to insecurity and instability. For example, illegal, unreported and unregulated (IUU) fishing undermines the sustainability of fisheries resources, harming food security and damaging economies (especially the Blue Economy). Many SIDS, including in the Pacific, are particularly susceptible to the effects of IUU fishing given the significance of fisheries for their economies and livelihoods. SIDS often represent attractive targets for IUU fishing, given their large, unpoliced EEZs, relative isolation and high value fisheries resources.

Climate Change

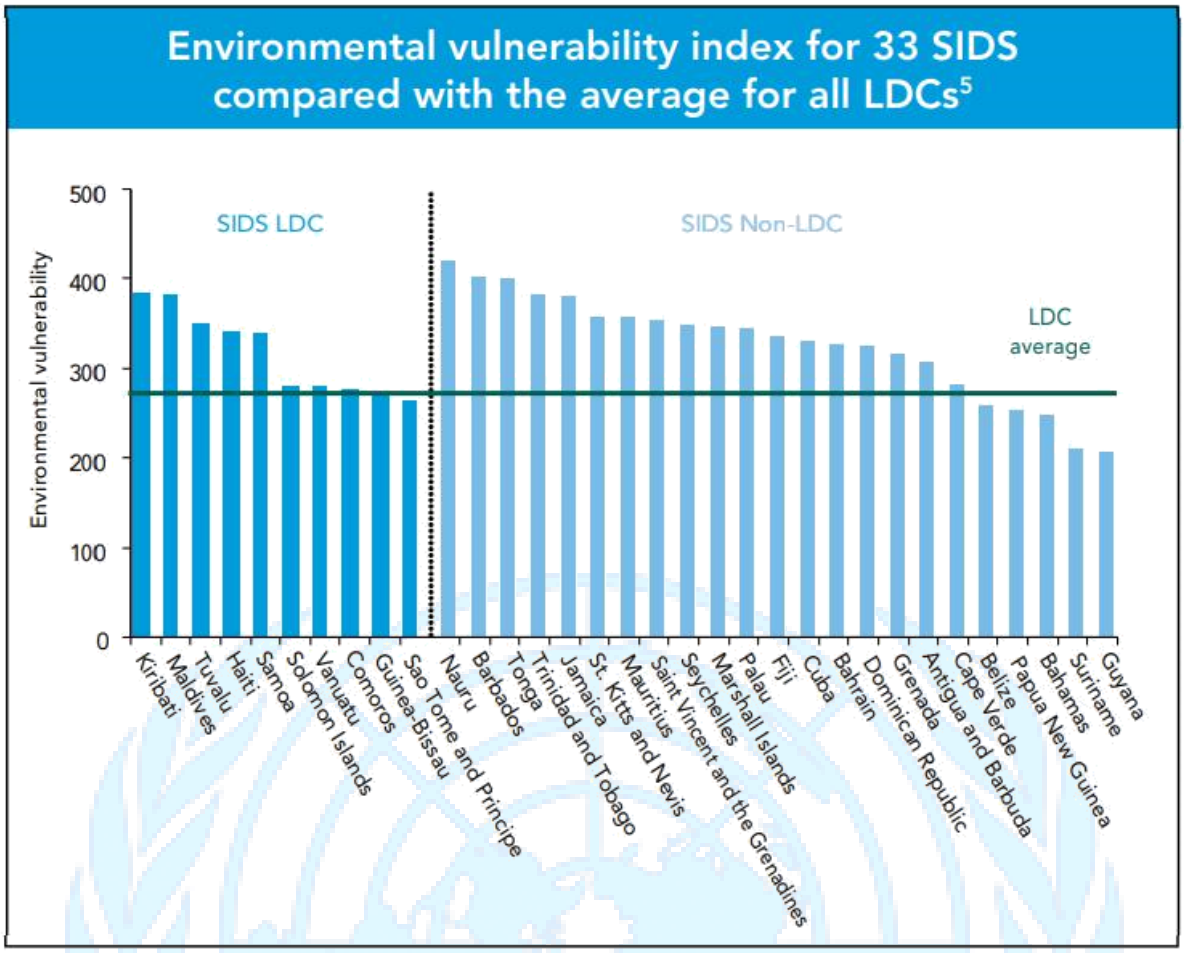
The narrowly based national economies of many SIDS make them especially vulnerable to the effects of climate change and weather-related disasters. Climate change acts as a risk multiplier, making existing security and development challenges more difficult. Over time, this will increase competition for scarce resources and therefore the potential for armed conflict. Tackling climate change is not, on its own, sufficient to eliminate all the challenges SIDS are facing. But failure to act on climate change will undoubtedly make SIDS' futures less secure.

A large proportion of the population of many SIDS lives in the low elevation coastal zone (LECZ), defined as the contiguous area along the coast that is less than 10 metres above sea level.

These settlements are extremely vulnerable to sea-level rise, storm surges, floods and other climate change-induced hazards. In 2007, the IPCC estimated that by 2100, global warming will lead to a sea-level rise of 180 to 590 mm, while more recent research suggests that these estimates are likely to be at least twice as large, up to about two meters. Nations such as Kiribati, Maldives, Marshall Islands and Tuvalu will become uninhabitable in this scenario, while a large share of the population of many other SIDS will be displaced or otherwise adversely impacted.

Development

Development, peace and security are innately related. Inequality is a major root cause of conflict and an inclusive society is crucial to development. SIDS have unique vulnerabilities that affect their development. Their small size, limited resources, geographic dispersion and isolation from markets, place them at a disadvantage economically and prevent economies of scale. Given their unique economic ecosystem they also have limited capacity to fully finance their development needs from competitive domestic and international sources.



Source: DESA calculations based on United Nations Environment Programme/SOPAC methodology.

Other issues

SIDS also contribute to international peace and security, including through contributing to peacekeeping and implementing UN Security Council resolutions. Limited capacity poses challenges implementing new international legal obligations, which is a complex and resource-intensive exercise for all UN Member States, but imposes a significant additional burden on SIDS given limited resources and competing priorities. Even once frameworks are in place, the enforcement of sanctions, counterterrorism or non-proliferation obligations (e.g. investigation of potential violations, prosecutions) can still present a further significant challenge for SIDS. This disproportionately drains resources.

Natural Disasters

A single natural disaster could, due to its disproportionate impact relative to SIDS' national capacities, destroy vital infrastructure, displace a significant number of the national population or impact on a nation's sustainable economic growth trajectory.

Natural disasters in many SIDS have undone the development achievements of years, even decades. Climate change induced natural disasters, such as cyclones, floods and droughts have increased in frequency and intensity over the past few decades, further hampering SIDS' ability to recover between extreme events. Resources continue to flow primarily to post-

disaster activities rather than towards disaster risk reduction and the improvement of coping capacity.

Hydro-meteorological disasters, including cyclones, tropical storms and other windstorm related events, are the most common, accounting for an estimated 45 per cent of all natural disasters in SIDS, but the share of the damage impact is even larger. Significant flooding is one of the aftereffects of cyclones, estimated to cause 25 per cent of the disasters.

Worldwide, ten of the fifteen most extreme events reported over the past half century have occurred in the last fifteen years. In addition to being increasingly vulnerable in terms of exposure to natural disasters, SIDS also face a number of threats which further weaken their coping capacity, including urbanisation and environmental degradation. Increased urbanisation and coastal development concentrate risk, while environmental degradation in the form of deforestation, coral bleaching and loss of mangroves removes natural protective barriers.

SIDS, due to their small size, large share of the population living in hazard-prone coastal areas, and limited capacity for disaster risk reduction, are particularly vulnerable. The increase in the frequency and intensity of natural disasters translates into larger numbers of people affected and greater economic damages. The increasing cost of disaster insurance due to the higher frequency of extreme events has significant implications for resilience.

Samoa, Saint Lucia, Grenada, Vanuatu, Tonga and Maldives lead the list of 180 countries with the highest economic losses on capital stock in relative terms due to natural disasters from 1970 to 2006. In the case of Samoa, due to the relatively small size of its economy, the damages from a tropical storm and a forest fire in 1983 as well as three tropical storms in a row from 1989 to 1990, may have set its capital stock back more than 35 years.

Energy

High dependence on oil imports has placed a great strain on the economies of many SIDS, especially in the wake of the energy crisis. During recent years, the increasing cost of fuel and transport to remote islands has exacerbated the cost disincentive to foreign investment, contributing to undermining competitiveness. Many SIDS have also been relatively slow to adopt energy efficiency practices and designs, mainly due to lack of appropriate policy, information, awareness and education, and a general reluctance by consumers and energy suppliers to make the initial investment required to achieve future savings.

With few exceptions, most SIDS are highly dependent on imported fossil fuels for energy. The vulnerability of SIDS in terms of energy resources is mostly characterized by their dependence on imported oil and other fossil fuels for electricity generation and transport. On average, more than 90 per cent of energy is sourced from oil imports, which account for the largest claim on foreign exchange earnings in SIDS. Fuel imports account for a greater percentage of merchandise imports in SIDS than in LDCs. This percentage is also increasing at a faster rate in SIDS than in most other countries in the world. Given the multi-island nature of many SIDS, transport is the fastest growing consumer of oil, with fuel needs for transport to remote islands especially high. Consequently, SIDS are increasingly exposed to the volatility of oil prices, as demonstrated by the severe impacts that the global energy crisis has had on the balance of payments of many SIDS. In monetary terms, an increase of US$10

in the world crude oil price translates to a 1.5 per cent decrease in GDP in Pacific SIDS. In some cases, these economic stresses have also translated into social instability.

Actions by the UN

UNCTAD was one of the first United Nations system entities to recognize the particular challenges facing small island developing States (SIDS), particularly the acute exposure of many of them to natural and economic shocks beyond domestic control, and to call for special international responses to their problems.

These countries are across the globe in the Caribbean, the Pacific, Atlantic and Indian Oceans, and the Mediterranean and South China Sea. In addition to common difficulties faced by developing countries, SIDS have an additional series of challenges to cope with that require special assistance from the international community. These challenges were highlighted in the 1994 Barbados Programme of Action (BPOA) and the Mauritius Strategy of Implementation (MSI) of 2005, both of which stated that the difficulties SIDS face in the pursuit of sustainable development are particularly severe and complex. Recognition of these issues was reinforced in September of 2014 when Member States of the United Nations officially adopted the Small Island Developing States Accelerated Modalities of Action, known as the SAMOA Pathway.

The challenges that SIDSs face are varied, but all conspire to constrain their development processes. They typically do not have a wide base of resources available to them, and thus do not benefit from cost advantages that this could potentially generate. Coupled with small domestic markets, they experience difficulties in profiting from globalisation and trade liberalisation and are cripplingly reliant on external and remote markets with limited opportunities for the private sectors. The cost of provision of energy, infrastructure, transport and communication are high, and along with high population densities, creates increased pressure on these already limited markets. These developing countries generally have a heavy reliance on tourism and services; however, as a consequence of their low resilience and location, they are also heavily affected by disasters due to frequent natural hazards.

The unique characteristics and vulnerabilities facing SIDS were first addressed by the international community at the Earth Summit (United Nations (UN) Conference on Environment and Development) in Brazil in 1992. The SIDS case was the focus of Agenda 21, a non-binding, voluntarily implemented plan of action of the Summit, committed to addressing the problems of sustainable development of SIDS. This plan involved adopting methods to enable SIDS to function and cope effectively with environmental change, and to mitigate the impacts and reduce the threats posed to their marine and coastal resources. Following Agenda 21, the Barbados Programme of Action was introduced in 1994, in an effort to provide further aid and support to SIDS. Similarly, its ultimate aim was to improve sustainable development. It highlighted the challenges of converting Agenda 21 into precise strategies, movements and procedures at the national, regional and international level and listed fifteen areas of priority for specific action. Five further areas were selected by the UN General Assembly in 1999, recognising their urgency. These five were: climate change, as the rising sea level could render some low-lying SIDS submerged; natural and environmental disasters and climate variability, with an emphasis of improving disaster preparedness and recovery; freshwater resources, preventing water shortages as demand increases; coastal and marine resources, promoting the protection of coastal ecosystems and coral reefs; energy,

developing solar and renewable energy in order to lessen dependence on imported oil; and finally tourism, focusing on the management of the growth of the tourism industry and the protection of the environment and cultural integrity.

The 2005 Mauritius Strategy of Implementation further complemented the BPOA. It gave recognition to the challenges that are unique to SIDS, and proposed further action towards their sustainable development. The MSI emphasised the location of SIDS in the most vulnerable regions of the world with respect to natural and environmental disasters and their rapidly increasing impact. It made call for a global early warning system covering threats such as tsunamis, storm surges and cyclones, and stressed that some major adverse effects of climate change are already being observed. Further, the MSI recognised the importance of international trade for building resilience and sustainable development in SIDS, and established the necessity for international institutions, including financial ones, to pay more specific attention to the structural drawbacks of SIDS. The MSI went further on matters of trade, stating that "most small island developing states, as a result of their smallness, persistent structural disadvantages and vulnerabilities, face specific difficulties in integrating into the global economy".

More recently, in September 2014, the Small Island Developing States Accelerated Modalities of Action, also known as the SAMOA Pathway, was adopted. As in the case of the previous adoptions, the strategy recognises the need to support and invest in SIDS so that they can achieve sustainable development. Distinguishing the Samoa Pathway slightly from the BPOA and the MSI is the idea of investing in the education and training of the people of SIDS. The aim of this idea was to create "resilient societies and economies, with full and productive employment, social protection and decent work for all", and to provide "full and equal access to quality education at all levels", the latter which is a vital ingredient for achieving sustainable development. The promotion of education for sustainable development is especially crucial for SIDS that are under direct threat from climate change, as it will "empower communities to make informed decisions for sustainable living rooted in both science and traditional knowledge". Finally, the SAMOA Pathway supports efforts "to promote and preserve cultural diversity and intercultural dialogue, which provide a mechanism for social cohesion and, thus, are essential in building blocks for addressing the challenges of social development".

Many SIDS have recognised the need to embrace sustainability through their own internal processes, however, without external aid from the international community, the required change will not come quickly enough. Following on the adoption of the Samoa Pathway, 2015 is rapidly becoming a watershed year for global processes of importance to SIDS. Convergence is occurring across a broad spectrum of activities as this year has seen the international community deliberate on the Post 2015 framework for disaster risk reduction which culminated in the adoption of the Sendai Framework, new expected agreements in the post 2015 development agenda with Sustainable Development Goals replacing the Millennium Development Goals. New agreements are also expected on how development is financed and there remains expectation of a new international agreement on climate change. Given their far reaching impact, these developments are critical, particularly when viewed from the perspective of the small island developing state. Notwithstanding the global consensus, serious challenges remain for SIDS and for the foreseeable future; they will remain a special case for sustainable development. However, with a global consensus and an

avid commitment to the advancement of sustainable development in these countries, positive change is most certainly on the horizon.